

225

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Phase One - Letter of Authorization

We try to get authorization from the bank to talk to them on behalf of the client. This can take anywhere from 48 hours to a month.

Recommendation: Banks should have their LOA on their website available for download.

Phase Two - Application Package

A few banks take our application package (just as some take our LOA), but most want the client to fill in their application package. And that has to be mailed to the client. That takes another 10 days or so.

Recommendation: Banks should be required to have their application package on their website available for download. (BTW, a few banks do.) The website should indicate whether or not they participate in the HAMP program, and if not, what modifications are available. Ideally the LOA and application would be standardized - and they are becoming much more similar, remembering that most banks are not on the HAMP program.

The application process is like the LOA process on steroids. We fax the application and the required documents including the hardship letter and the budget. Typically, they do not get the entire fax, or they get it one day and two days later they are somehow missing several of the documents. We re-fax what is missing as soon as we find out, and we often have to do this several times. We only find out that something is missing when we call - they rarely initiate. Sometimes they mail snarky letters to the clients reprimanding them for not including the pay stubs or whatever - which were, of course, included but which they can't find. Eventually, working with our contact, we manage to get all the documents into their hands. HOWEVER, if this 'we-don't-have-it' dance has lasted more than 3 weeks or so, some of the documents are now stale - the bank statements and the pay stubs in particular, so we begin again.

Phase Three - Considering the Modification

Eventually, with a lot of patience and a lot of faxes, they manage to have all the documentation they need. At that point our contact turns the case over to (don't laugh) a "Negotiator". These people are sometimes called Underwriters, but lately Negotiator is the term of art. The ironic thing about these people, regardless of title, is that no one - not the client and not even the bank contact - is allowed to have any contact with them. They are in solitary confinement. Once the case is under consideration, the client is completely shut out of the process. This is a change in the period since we have been doing this. Initially, we were trained in speaking with the bank decision maker about the client. That is no longer the case and every single bank I dealt with has gone this route. So all we are really doing is helping the client complete the document package for the banks. Also, sometimes the **Negotiator** doesn't get to the package for a month or so and - guess what - some of the documents are stale and we fax again.

Recommendation: Require the banks to have at least one live conversation with the client and their representation before making a final decision on the modification. Things are not always what they seem.

Phase Four - Modification Denial or Temporary Offer

For those that get modification offers, I personally have only seen one that actually helped with the financial situation - a true HAMP offer from Chase that reduced the monthly payment by about \$1500. For those banks that do not participate in HAMP there are a variety of solutions, but typically, they do not reduce the loan payment by more than a couple of hundred dollars. This isn't really a big help and just postpones the inevitable. For banks that do participate in HAMP, I have recently seen a new creative solution to avoid reducing the payment. Bank United recently made a HAMP mod offer to a client that actually *increased* their monthly payment: they reduced the PITI to 34% of the clients gross income (should be 31%, but let's not quibble) and then added \$505 a month (\$6,060 a year!) in Mortgage Insurance payments - insuring themselves, of course. By so doing, they ensure that the client will not be

able to pay and they will be compensated. Is there honestly no limit to the cynicism of these people?!? It boggles the mind. And they wonder why people distrust the banks these days?

BTW, some organizations, Beneficial/ HBSC for example, only offer temporary modifications - for 6 months at a time. You can re-apply at the end of 6 months for another temporary mod - and go through the same process described above. This is a particularly exquisite form of modification torture.

Recommendation: Banks participating the HAMP program should be required to reduce, not increase, the monthly loan payment. Other non-HAMP banks offering mods should have to reduce the payment by at least - pick a number - ten percent. Otherwise it is not really worth anybody's while to go through all the agony, and it does not help the person to stay in the home (which was supposed to be the objective in all this). There should also be some way to convert a temporary mod to a permanent mod!

Phase Five - Permanent Modification

Many people are now coming near the end of their 3-month trial modification. If they have missed any payment, even by a day, or underpaid the amount, even by \$20, they are pulled out of the program and foreclosure begins. No appeal (unless you know the chairman of the bank ;-)). For those that have been faithful, it still looks challenging. Some banks granted initial HAMP mods based strictly on gross income. However, to convert to a permanent (5-year) modification, they are doing more serious underwriting. This means that some people who were thrilled to get temporary mods, are not now being offered permanent ones. This process is just beginning. At the moment it seems to be difficult even to get the bank to send out the application (yes, there is a whole separate process.) for a permanent mod. We shall see how it plays out. I have read that less than half of those on temporary mods are being converted to permanent, but I have no direct experience at this time.

Recommendation: Those people who perform as agreed under a temporary modification, should be offered permanent modification. That certainly seemed to be the intent of the HAMP program.

These are thoughts of a foreclosure Volunteer Mary Maarbjerg and HDF sentiments of the process.